



Tax News & Views

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Government shutdown underway, with healthcare tax credit central to dispute

A partial federal government shutdown is entering its first weekend as lawmakers remain at odds over federal spending and health care policy. The shutdown began at midnight on Oct. 1 after Congress failed to reach an agreement on appropriations, with the main sticking point being the potential extension of enhancements to the premium tax credit (PTC).

As the shutdown continues to unfold, the Senate took action on Friday, October 3, voting down two procedural motions: one to advance the House Republican-passed short-term funding bill – the Continuing Appropriations and Extensions Act, 2026 ([H.R. 5371](#)) – and another to proceed with the Senate Democratic-backed funding measure – the Continuing Appropriations and Extensions and Other Matters Act, 2026 ([S. 2882](#)). Neither bill received the 60 votes required for passage, further prolonging the partial government shutdown.

At the heart of the dispute is the future of the enhancements to the PTC – a provision that was originally enacted under the Affordable Care Act ([P.L. 111-148](#)), and helps qualifying individuals and families afford health coverage obtained through the Health Insurance Marketplace,

also known as the Exchanges. Democrats have continued to advocate for a permanent extension of the enhancements to the PTC, which was made more generous through the American Rescue Plan Act (P.L. 117-2) and the Inflation Reduction Act (IRA, P.L. 117-169). These laws broadened eligibility and increased the subsidy benefit, however, the enhancements are currently set to expire at the end of this year. (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 37, Sept. 12, 2025.)

On the other side of the debate, Republicans have pushed for a “clean” continuing resolution (CR) without any additional policy riders – including those related to health care. GOP lawmakers maintained that such provisions should be debated separately and not attached to a short-term funding bill. These positions have led to a stalemate as Democrats insist that healthcare affordability measures, particularly the extension of the PTC enhancements, are essential components of this funding agreement. While the House passed, mostly on party lines, the clean CR, such legislation requires 60 votes in the Senate and the parties’ competing versions have failed to sway enough members of the other party to cross that threshold resulting in a shutdown of many government services.

Building toward a stalemate

The shutdown followed a series of failed negotiations and failed votes in the days leading up to the beginning of the federal government fiscal year on October 1. In a last-minute effort to avoid a shutdown, President Trump met with Republican and Democratic congressional leaders at the White House on Monday. However, the meeting ended without resolution, and both parties continued to trade blame as the government shutdown drew closer.

“If the government shuts down, that is on Senate Democrats,” Senate Majority Leader John Thune (R-S.D.) told reporters Sept. 30.

“The ball is in their court,” Senate Minority Leader Chuck Schumer (D-N.Y.) separately told reporters Sept. 30.

The following day the Senate held a series of critical votes – none of which passed – further cementing the legislative gridlock.

First, the Senate rejected the House Republican-passed CR to fund federal departments and agencies through November 21 by a vote of 55-45. Most Democrats opposed the measure; however, Sens. John Fetterman of Pennsylvania and Catherine Cortez Masto of Nevada, along with Sen. Angus King (I-Maine) – an Independent who caucuses with the Democrats – joined Republicans in supporting the bill. Sen. Rand Paul (R-Ky.) was the only Republican to vote against it.

Next, the Senate voted 47-53 against the Democratic-backed CR that would fund the federal government until October 31 and included an extension of the enhanced PTC. All Republicans voted against the measure, resulting in its failure to reach the 60-vote threshold required for passage.

These votes highlighted ongoing policy disagreements – particularly around health care policy – that continue to stall progress. Amid these debates, the nonpartisan Congressional Budget Office provided an analysis in response to a request from several Democrats, including Leader Schumer, on the fiscal impact of the proposed health care provisions. It [estimated](#) that permanently extending the expanded PTC would add about \$350 billion to the federal deficit from 2026 through 2035 period, while also expanding health insurance coverage to an estimated 3.8 million additional people in 2035.

With no agreement in place, the Office of Management and Budget Director Russell T. Vought [issued](#) a memorandum to the heads of executive departments and agencies, stating that, due to the absence of a cleared appropriations bill in both the House and Senate, “affected agencies should now execute their plans for an orderly shutdown.”

The shutdown began shortly thereafter, and the partisan rhetoric quickly intensified. On October 2, House Speaker Mike Johnson (R-La.) called Democrats’ votes “selfish” and “reprehensible,” while on October 1, House Minority Hakeem Jeffries (D-N.Y.) charged Republicans with “cruel actions” that have sparked a nationwide healthcare crisis.

Searching for middle ground

Despite the partisan divide, some lawmakers have begun exploring compromise solutions. While many fiscal conservatives oppose extending the enhanced PTC, several GOP moderates have expressed openness to a temporary extension of the enhancements.

Legislation introduced by Rep. Jen Kiggans (R-Va.), joined by 13 other Republicans and 10 Democratic lawmakers – a number that has steadily

grown since its introduction – aims to extend the enhanced PTC subsidies through 2026. The bill – titled Bipartisan Premium Tax Credit Extension Act ([H.R. 5145](#)) – would ensure that the enhancements do not expire after December 31, 2025, while also providing time for lawmakers to negotiate a longer-term compromise on the future of the boosted subsidy. (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 36, Sept. 5, 2025.)

“While the enhanced premium tax credit created during the pandemic was meant to be temporary, we should not let it expire without a plan in place,” Kiggans said in a statement after introducing the measure.

On the other side of the aisle, House Ways and Means Committee Ranking Member Richard Neal (D-Mass.) has signaled a willingness to consider scaling back the enhanced PTC, potentially by introducing income limits.

“I think the question of subsidies for people that are making half a million dollars – I mean, that should be subject to a discussion and negotiation as well. But that shouldn’t become the pretense for shutting down the government,” Neal told *Politico* on September 29.

In the Senate, some Republican and Democratic lawmakers have been huddling this past week in the hopes of coming up with some type of compromise. Sen. Mike Rounds (R-S.D.) floated a plan for a one-year extension of the soon-to-expire subsidies, followed by a phased reduction that would return the credits to pre-pandemic levels.

“In the first year, all the states need to have a sense of stability,” Rounds said in an interview on Tuesday, referring to his push for a temporary extension. He added that “[w]e can’t continue on this path that was created for pandemic purposes only.” He reportedly indicated that the proposal could be tied to a larger funding measure, but not to the seven-week House Republican-approved package.

Earlier legislative efforts also failed

These recent developments follow earlier failed legislative efforts in mid-September that laid the groundwork for the current impasse. The legislative deadlock intensified on September 19 when both the House Republican-approved and Senate Democrat-backed short-term funding measures failed to advance in the Senate as neither bill met the 60-vote threshold required for passage. These initial defeats marked the beginning of a series of unsuccessful votes and set the stage for the current partial shutdown. (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 38, Sept. 19, 2025.)

The House approved the Republican-drafted CR to temporarily fund the government until November 21, by a vote of 217-212, with only one Democrat supporting the bill – Rep. Jared Golden (D-Maine). The bill did not include an extension of the PTC enhancements or other health care initiatives – a detail that contributed to a failure in the Senate.

In response, Democrats introduced their own short-term funding proposal, which would fund the government through October 31. This measure includes a permanent extension of the PTC enhancements, reverses changes made to Medicaid enacted under the recently enacted law commonly referred to as the One Big Beautiful Bill Act (OBBBA, [P.L. 119-21](#)), and restricts the President’s ability to rescind congressionally-authorized funding.

IRS open – at least for now

As Congress remains deadlocked, federal agencies have begun implementing contingency plans. According to the IRS’ FY2026 Lapsed Appropriations Contingency Plan ([link](#)), all agency employees – totaling 74,299 as of July 24, 2025 – would be retained for the first five business days of a lapse in appropriations. Operations would continue using funds provided under the 2022 tax-and-climate law – the Inflation Reduction Act. The fifth and final day would fall on Tuesday, October 7.

The Department of the Treasury also has prepared a [plan](#) for a “short hiatus” of one to five days. Under its plan, the Office of Tax Policy would perform certain functions, including collaborating with the President and Treasury Secretary to develop policies aimed at restoring appropriations – potentially including tax-related provisions. The Office of Tax Policy has access to multi-year funding under the IRA, which can be used for implementing the OBBBA and deregulation efforts.

Next steps

With negotiations at a standstill, the Senate remains at the center of efforts to resolve the funding impasse, where lawmakers attempted to break the deadlock through competing proposals. On Friday, October 3, both funding proposals failed, signaling that the government



shutdown is likely to persist through the weekend and into next week, with no immediate resolution in sight. Amid continuing uncertainty, the next phase of congressional activity will be closely watched for signs of movement toward a funding agreement – or indications that the stalemate may continue.

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Taxwriters probe witnesses on digital asset tax policy amid shutdown tensions

The Senate Finance Committee held a hearing on October 1 examining the taxation of digital assets, reflecting growing congressional interest in clarifying the tax treatment of cryptocurrencies and other digital asset transactions. The hearing took place against the backdrop of a partial government shutdown (see earlier story), which drew commentary from several Democratic taxwriters, including Maggie Hassan of New Hampshire and Sheldon Whitehouse of Rhode Island. In response, Chairman Mike Crapo (R-Idaho) noted that a Republican House-passed “clean” continuing resolution to keep the government open had been brought before the Senate for consideration – but was rejected by Democrats.

In his opening statement, Chairman Crapo focused on how the tax code could provide a clear framework for digital assets. He noted, however, that many questions remain unanswered – particularly around the treatment of “straightforward transactions,” which continue to create uncertainty for taxpayers and regulators alike. During his remarks, Crapo referred to President Trump’s [Executive Order 14178](#) (Strengthening American Leadership in Digital Financial Technology), which established the Working Group on Digital Asset Markets. That group released a [report](#) outlining potential areas for IRS and Treasury guidance, as well as legislative recommendations, to address a range of tax-related digital asset issues. (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 35 Aug. 1, 2025.)

While acknowledging the importance of these issues and the ongoing lack of clarity around how tax rules apply to cryptocurrency and other digital assets, Minority Leader Ron Wyden (D-Ore.) shifted focus to the ongoing federal government shutdown. He stressed that Congress should prioritize reopening the government, and also pointed to the “huge increase in health insurance premiums” that he said Americans are facing. As to digital assets, he warned that the uncertainty surrounding tax policy contributes to a growing tax gap – referring to the substantial amount of taxes that go unpaid each year.

Building on the legislative momentum established by the recently enacted GENIUS Act (Guiding and Establishing National Innovation for US Stablecoins Act, [S. 1582](#)), Senate taxwriters have continued discussions on how best to advance a tax framework for digital assets. The GENIUS Act – bipartisan legislation establishing a federal regulatory framework for stablecoins – does not directly address tax policy, but it represents a significant step in the administration’s broader digital asset agenda.

From a *de minimis* exception to IRS guidance

Taxwriters questioned witnesses on a variety of issues, including the potential for a *de minimis* exception to simplify the tax treatment of small digital asset transactions, while also examining broader regulatory and administrative challenges in aligning tax policy with the rapidly growing digital asset space.

***De minimis* exception:** Several taxwriters – both Republican and Democrat – raised the issue of a *de minimis* exception to exclude gains on digital asset transactions below a certain dollar threshold. Sen. Marsha Blackburn (R-Tenn.) described Tennessee as a “friendly crypto state” and the city of Nashville as a “friendly crypto city,” noting that small businesses are increasingly accepting cryptocurrency as payment. She emphasized concerns about whether such everyday transactions – like buying “a cup of coffee” – should trigger a taxable event, underscoring the fact that the existence of a *de minimis* exception is a critical issue.

Witness Jason Somensatto, director of policy at Coin Center, agreed that the *de minimis* exception is an important issue, and that having an exception would benefit individual users who want to engage in the digital asset space. In his written statement, Somensatto maintained that enacting a *de minimis* exception “would align crypto transactions with the existing rules for foreign currency transactions and would enable everyday use of digital assets without sacrificing tax compliance.”

Meanwhile, Sen. Elizabeth Warren (D-Mass.) discussed several scenarios involving cryptocurrency transactions, including one focused on a possible *de minimis* exception. She referenced a proposal that would allow crypto investors to avoid reporting on income from transactions under \$300. Warren questioned whether similar treatment would apply to traditional assets, asking if someone who purchased \$300 of gold or stock would be required to report any resulting income. Witness Andrea S. Kramer, founding member of ASKramer LLC, confirmed that such income would be reportable. Warren argued that we should adhere to the same rules we've followed for decades; same basic transaction with the same kind of risks should be governed by the same kind of rules, and that this principle should apply equally to cryptocurrency transactions.

IRS guidance: Sen. Todd Young (R-Ind.) focused his attention on IRS [Rev. Rul. 2023-14](#) which analyzed the treatment of a cash-method taxpayer that received staking rewards. In that ruling, the IRS determined that the taxpayer should include the fair market value of the staking rewards in gross income in the taxable year in which the taxpayer gained dominion and control over the rewards; meaning when the taxpayer has the ability to sell, exchange, or otherwise dispose of the rewards.

Young expressed concern that this ruling is “premature, difficult to administer, and inconsistent with long-standing tax principles.” He asked Somensatto whether the ruling should be rescinded and replaced with guidance that defers taxation until disposition of the asset – similar to the treatment of other types of property – pending congressional action. Somensatto said that “we’ve called for that [action] at the Coin Center for several years since the guidance was issued.”

To include or not to include?: As lawmakers continue exploring legislative pathways for digital asset taxation, committee members turned to expert witnesses for guidance on shaping future policy. Republican Sens. Ron Johnson of Wisconsin and Marsha Blackburn asked the panel’s witnesses which provisions should be included – or excluded – in a possible future tax bill addressing digital asset transactions.

Lawrence Zlatkin, vice president of tax for Coinbase Global, Inc. cautioned against provisions that could lead to “over reporting,” warning that such requirements could place undue burdens on both taxpayers and the IRS. Somensatto emphasized the importance of clarifying the tax treatment of staking and mining. Meanwhile, Kramer highlighted the need for provisions that would position the United States as a “magnet” for foreign investment in the digital asset space. (Sen. Blackburn cosponsored [S.2207](#) – A bill to amend the Internal Revenue Code of 1986 to reform the treatment of digital assets – legislation introduced by Sen. Cynthia Lummis (R-Wyo.).)

As momentum builds around digital asset tax reform, lawmakers in both chambers are beginning to outline their priorities. During the hearing, Sen. Steven Daines (R-Iowa) noted that he has already begun working on a framework that will protect much needed certainty – one that he believes is essential “to protect American jobs, revenue, and competition.” Meanwhile, on the other side of the Capitol, Ways and Means Committee member Rep. Max Miller (R-Ohio) announced this summer that he plans to introduce a crypto tax bill. Reportedly, issues under consideration include the taxation of staking and mining, *de minimis* transaction thresholds, wash sale rules, and other key areas of digital asset policy. (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 33, July 18, 2025.)

Guidance plan

As legislative discussions around cryptocurrency and other digital assets continue to evolve, the Department of the Treasury also outlined its administrative priorities in the newly [released](#) 2025-2026 guidance plan. The plan contains 105 guidance projects scheduled for the 12-month period from July 1, 2025 through June 30, 2026, and reflects the Treasury Department’s and the IRS’s focus on several areas, including:

01. Implementation of the One Big Beautiful Bill Act
02. Deregulation and burden reduction
03. Section 501(c)(3) issues
04. Tribal tax issues
05. Digital assets
06. SECURE 2.0 Act

As part of the implementation of the law commonly referred to as the One Big Beautiful Bill Act (OBBBA, [P.L. 119-21](#)) – which accounts for nearly 40 percent of the guidance plan – the IRS and Treasury have already issued proposed regulations ([REG-110032-25](#)) on September 19, 2025, defining “qualified tips” and listing occupations that customarily and regularly received tips on or before December 31, 2024, and thus qualify for the new deduction for tips. Deloitte Tax LLP specialists have provided details on the scope of the proposed regulations in a new

[alert](#). (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 38, Sept. 19, 2025.)

The guidance plan also places emphasis on deregulation and burden reduction, accounting for roughly 45 percent of the plan. It is worth noting that President Trump issued an [Executive Order](#) on Unleashing Prosperity Through Deregulation on January 31, 2025.

In addition, on September 30, the IRS announced – via news release [IR-2025-96](#) – that it and the Treasury Department had issued new guidance for opportunity zone investments in rural areas under the OBBBA. The accompanying [Notice 2025-50](#) provided guidance on the definition of “rural area” and the application of the substantial improvement threshold for certain improvements to property located in a qualified opportunity zone that is comprised entirely of a rural area.

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Corporate spinoffs, branch profits tax rates, and OBBBA provisions for employers

Deloitte Tax LLP specialists have prepared five new resources, including an alert announcing the withdrawal of proposed regulations on spin-off transactions, an alert highlighting the details of an IRS memo addressing the branch profits tax rate for foreign reverse hybrids, and an article outlining employer-related provisions in the law commonly known as the One Big Beautiful Bill Act (OBBBA, [P.L. 119-21](#)).

Treasury and IRS announce withdrawal of proposed regulations on spin-off transactions

The Treasury Department and IRS announced the [withdrawal](#) of two sets of proposed regulations that were issued in January 2025 relating to section 355 spin-off transactions: [REG-112261-24](#) and [REG-116085-23](#). In addition, on September 29, 2025, the IRS issued [Rev. Proc. 2025-30](#), which supersedes [Rev. Proc. 2024-24](#), and provides procedures for taxpayers requesting private letter rulings from the IRS after September 29, 2025, regarding certain issues relating to IRC section 355 transactions. Deloitte Tax LLP specialists have provided details in a new tax [alert](#).

IRS memo addresses branch profits tax rate for foreign reverse hybrids

Recently released [AM 2025-002](#) (a general legal advice memorandum or GLAM) provides analysis of the extent to which a US income tax treaty entitles a foreign reverse hybrid that is owned in part by treaty country residents to a reduced rate of branch profits tax on its dividend equivalent amount.

Taxpayers preparing Form 1120-F for a foreign reverse hybrid with a branch profits tax (BPT) liability for a return due on October 15, 2025 are advised to consider the potential impact of this GLAM on their soon-to-be-filed return. Deloitte Tax LLP specialists have provided details on the scope and implications of this new guidance, which are outlined in this [alert](#).

OBBBA: Critical provisions for employers

On July 4, 2025, President Trump signed into law an “Act to provide for reconciliation pursuant to title II of H. Con. Res. 14,” which is commonly referred to as the OBBBA. The act extends and amends key provisions of the 2017 Tax Cuts and Jobs Act (TCJA, [P.L. 115-97](#)) and adds several new and impactful provisions. This [article](#) summarizes specific provisions under the OBBBA that may affect individuals and employer-sponsored mobility and rewards programs.

New draft Form W-9

On September 17, the IRS released a new draft Form W-9, [Request for Taxpayer Identification Number and Certification](#) which includes changes to the form and general instructions, such as a new checkbox to Part II (Certification) to allow brokers to certify that they qualify as a US digital asset broker (other than a registered investment adviser) under Treasury regulation (“Treas. Reg.”) section 1.6045-1(g)(4)(i)(A)(1) and claim exemption from information reporting under Treas. Reg. section 1.6045-1(c)(3)(i)(B)(12). Deloitte Tax LLP specialists have provided details in an [alert](#) on several additional changes to the form.

Pillar Two: tax technology data, systems, and process

Tax technology systems and processes should work together to automate and digitize the end-to-end compliance provision lifecycle. To address evolving internal and external requirements related to Pillar Two compliance, it is critical to have a tax technology architecture

that can survive, adapt, and thrive using the latest technologies. Additional details on tax technologies can be found in this Pillar Two [guide](#) prepared by Deloitte Tax LLP specialists.

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